

FINANCIAL STATEMENTS
For the
THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT
For year ended
DECEMBER 31, 2023

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

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Management's Responsibility for the Financial Statements

The accompanying financial statements of the **The Corporation of the Township of North Stormont** are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Welch LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the The Corporation of the Township of North Stormont and meet when required.

On behalf of the The Corporation of the Township of North Stormont:



Craig Calder
Chief Administrative Officer/Clerk

Berwick, Ontario
August 20, 2024



Kim Goyette
Treasurer



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INDEPENDENT AUDITOR'S REPORT

To the Members of Council of the:

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT*Qualified Opinion*

We have audited the accompanying financial statements of the **The Corporation of the Township of North Stormont** (the Township), which comprise the statement of financial position as at December 31, 2023 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, excepts for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Township as at December 31, 2023 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified Opinion

Under Public Sector Accounting Standards as of the year ended December 31, 2023, the Township was required to adopt PS 3280 Asset Retirement Obligations. Asset retirement obligations are legal obligations associated with the eventual retirement of tangible capital assets. The Township was required to identify all legal obligations associated with the retirement of its assets, and record, and estimate the future costs of remediation for these obligations to determine their valuation. Legal liabilities may exist, including the costs for the removal and disposal of asbestos within the Township buildings that will undergo renovations or demolition, as well as decommissioning or removal costs associated with arena infrastructure, underground storage tanks, site restoration for salt storage facilities, lagoons site restoration, landfill site restoration and costs association with the removal of sewage infrastructure. The Township did not complete its analysis as described in note 1(h), and thus liabilities arising from legal obligations associated with the retirement of certain tangible capital assets and their related disclosures were not recorded in the financial statements for the year ended December 31, 2023.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Township in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Township's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Township or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Township's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Township's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Township to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.



**Cornwall, Ontario
August 20, 2024**

**CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

Welch LLP[®]

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash (note 2)	\$ 5,346,736	\$ 6,359,975
Taxes receivable	878,224	958,434
Accounts receivable (note 4)	1,612,556	1,989,628
Long-term receivables	<u>39,732</u>	<u>44,420</u>
	<u>7,877,248</u>	<u>9,352,457</u>
Financial liabilities		
Accounts payable and accrued liabilities	918,836	1,482,424
Employee benefits payable (note 6)	69,400	68,797
Deferred revenue - obligatory reserve funds (note 5)	55,604	112,748
Deferred revenue - other	2,410,316	2,421,744
Municipal debt (note 8)	<u>3,588,377</u>	<u>4,201,953</u>
	<u>7,042,533</u>	<u>8,287,666</u>
Net financial assets	<u>834,715</u>	<u>1,064,791</u>
Non-financial assets		
Tangible capital assets (note 7)	37,845,470	33,179,242
Tangible capital assets under construction	-	2,525,882
Inventories	100,283	81,666
Prepaid expenses	<u>58,548</u>	<u>29,558</u>
	<u>38,004,301</u>	<u>35,816,348</u>
Accumulated surplus (note 9)	<u>\$ 38,839,016</u>	<u>\$ 36,881,139</u>

Contingencies (note 13)

The accompanying notes are an integral part of these financial statements.

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023

	<u>2023</u> <u>Budget</u> (Note 15)	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Operating revenues			
Municipal taxation	\$ 3,464,574	\$ 3,476,651	\$ 3,303,968
User charges	3,129,258	3,122,323	2,865,643
Government transfers - operating	1,378,387	1,441,744	1,460,061
Investment income	100,000	227,111	77,742
Interest and penalties on taxes	143,000	156,165	143,708
Donations and other income	<u>-</u>	<u>10,000</u>	<u>703</u>
	<u>8,215,219</u>	<u>8,433,994</u>	<u>7,851,825</u>
Operating expenditures			
General government	1,100,943	1,123,206	982,415
Protection to persons and property	1,213,286	1,145,861	1,146,113
Transportation services	3,282,468	3,240,031	3,071,613
Environmental services	828,983	798,358	665,860
Water and sewer services	684,188	756,608	1,019,124
Health services	19,000	18,225	18,081
Recreational and cultural services	1,046,016	1,090,903	937,665
Planning and development	<u>259,769</u>	<u>201,187</u>	<u>216,404</u>
	<u>8,434,653</u>	<u>8,374,379</u>	<u>8,057,275</u>
Net operating income (expenditures)	<u>(219,434)</u>	<u>59,615</u>	<u>(205,450)</u>
Other income related to capital			
Government transfers - capital	1,936,832	894,093	1,294,955
Other transfers - capital	667,319	344,548	722,038
Donations	534,000	658,915	700,702
Gain on disposal of tangible capital assets	<u>16,300</u>	<u>706</u>	<u>2,664</u>
	<u>3,154,451</u>	<u>1,898,262</u>	<u>2,720,359</u>
Annual surplus	2,935,017	1,957,877	2,514,909
Accumulated surplus at beginning of year	<u>36,881,139</u>	<u>36,881,139</u>	<u>34,366,230</u>
Accumulated surplus at end of year	<u>\$39,816,156</u>	<u>\$38,839,016</u>	<u>\$36,881,139</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED DECEMBER 31, 2023

	<u>2023</u> <u>Budget</u> (Note 15)	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Annual surplus	\$ 2,935,017	\$ 1,957,877	\$ 2,514,909
Amortization of tangible capital assets	1,510,306	1,510,306	1,341,148
Acquisition of tangible capital assets and assets under construction	(4,917,572)	(3,658,600)	(4,384,849)
Gain on disposal of tangible capital assets	-	(706)	(2,664)
Proceeds on sale of tangible capital assets	-	8,653	2,664
Change in inventory	-	(18,616)	(4,074)
Change in prepaid expenses	-	(28,990)	57,397
	<u>-</u>	<u>-</u>	<u>-</u>
Decrease in net financial assets	(472,249)	(230,076)	(475,469)
Net financial assets at beginning of year	<u>1,064,791</u>	<u>1,064,791</u>	<u>1,540,260</u>
Net financial assets at end of year	<u>\$ 592,542</u>	<u>\$ 834,715</u>	<u>\$ 1,064,791</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Annual surplus	\$ 1,957,877	\$ 2,514,909
Items not affecting cash:		
Amortization	1,510,306	1,341,148
Gain on disposal of tangible capital assets	<u>(706)</u>	<u>(2,664)</u>
	3,467,477	3,853,393
Net changes in non-cash working capital items:		
Taxes receivable	80,210	64,881
Accounts receivable	377,073	(339,897)
Inventories	(18,617)	(4,074)
Prepaid expenses	(28,990)	57,397
Accounts payable and accrued liabilities	(563,588)	456,710
Employee benefits payable	603	(19,285)
Deferred revenue	<u>(68,572)</u>	<u>2,123,813</u>
	<u>3,245,596</u>	<u>6,192,938</u>
Cash flows from capital activities		
Acquisition of tangible capital assets	(3,658,600)	(4,384,849)
Proceeds on disposal of tangible capital assets	<u>8,653</u>	<u>2,664</u>
	<u>(3,649,947)</u>	<u>(4,382,185)</u>
Cash flows from investing activities		
Repayment of long-term receivable	<u>4,688</u>	<u>19,083</u>
Cash flows from financing activities		
Municipal debt repaid	(631,676)	(301,228)
Proceeds from long-term debt	<u>18,100</u>	<u>2,244,841</u>
	<u>(613,576)</u>	<u>1,943,613</u>
Increase (decrease) in cash	(1,013,239)	3,773,449
Cash at beginning of year	<u>6,359,975</u>	<u>2,586,526</u>
Cash at end of year	<u>\$ 5,346,736</u>	<u>\$ 6,359,975</u>

(See accompanying notes)

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

NATURE OF OPERATIONS

The Corporation of the Township of North Stormont (the "Township") was incorporated on January 1, 1998 and is a lower tier municipality in the Province of Ontario. The Township is responsible for providing a variety of municipal services to its residents. The Township conducts its operations under the direction of its elected Council, guided by the provisions of provincial statutes such as the Municipal Act, 2001, Municipal Affairs Act and related legislation.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township are prepared by management in accordance with Canadian generally accepted accounting policies for local governments as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada. These financial statements include the following significant accounting policies:

a) *Reporting entity*

These financial statements reflect the assets, liabilities, revenues and expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all municipal organizations, committees, and local boards accountable to the Township, and which are owned or controlled by the Township.

b) *Accounting for United Counties and School Board transactions*

The assets, liabilities, revenues, and expenditures with respect to the operations of the school boards and the United Counties of Stormont, Dundas and Glengarry are not reflected in these financial statements.

c) *Basis of accounting*

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon cost of goods or services acquired.

d) *Deferred revenue*

The Township receives contributions under the authority of federal and provincial legislation and funding agencies. These funds, by their nature, are restricted in their use, and until applied to applicable projects, are recorded as deferred revenue. Amounts applied to projects are recorded as revenue in the fiscal period in which they are expended.

e) *Reserve and reserve funds*

Certain amounts, as approved by Council, are set aside in reserves and reserve funds for future operating and capital expenditures. Transfers to and from reserves and reserve funds are recorded as an adjustment to the respective fund when approved.

f) *Government transfers*

Government transfers are recognized as revenues or expenditures in the period in which the events giving rise to the transfer occurred, provided the transfers are authorized, any eligibility criteria have been met by the recipient, and a reasonable estimates of the amounts can be made.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Taxation and related revenues*

Property tax billings are prepared by the Township based on assessment rolls issued by the Municipal Property Assessment Corporation ("MPAC"). Tax rates are established annually by Council incorporating amounts to be raised for local services and amounts the Township is required to collect on behalf of the United Counties of Stormont, Dundas and Glengarry and the Province of Ontario in respect of education taxes. Realty taxes are billed based on the assessment rolls provided by MPAC. Taxation revenues are recorded at the time tax billings are issued.

A normal part of the assessment process is the issue of supplementary assessment rolls that provide updated information with respect to changes in property assessment. Once a supplementary assessment roll is received, the Township determines the taxes applicable and renders supplementary tax billings. Assessments and the related property taxes are subject to appeal. Any supplementary billing adjustments made necessary by the determination of such changes will be recognized in the period they are determined and the effect shared with the school boards as appropriate.

h) *Asset Retirement Obligations ("ARO")*

Public Sector Accounting Standard PS 3280 - Asset Retirement Obligations came into effect on April 1, 2022. This new standard provides guidance on the reporting of legal obligations associated with the retirement of tangible capital assets. An ARO is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The estimate of a liability would include costs directly attributable to asset retirement activities. Costs would include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. The estimate would include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

The Township is currently in the process of completing its assessment on the impact of PS 3280's implementation on assets other than the landfill liability described above.

i) *Use of Estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Management makes accounting estimates when determining the estimated useful life of the Township's tangible capital assets, its allowance for doubtful accounts, and the accrued liability for employee benefits. Actual results could differ from those estimates.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) *Tangible capital assets*

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful life as follows:

Buildings	20 to 60 years
Land improvements	15 to 30 years
Vehicles	5 to 15 years
Machinery and equipment	5 to 20 years
Transportation:	
- roads	20 to 100 years
- bridges and structures	90 years
- sidewalks	50 years
- illumination	50 years
Water and waste plants and networks:	
- underground networks	20 to 100 years
- sewage treatment plants	80 years
- water pumping stations and reservoirs	80 years
- flood stations and other infrastructure	80 years

Assets under construction are not amortized until the asset is available for productive use, at which time they are capitalized.

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue. Similarly, transfer of assets to third parties are recorded as an expense equal to the net book value of the assets as of the date of transfer.

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. CASH

Cash consists of the following:

	<u>2023</u>	<u>2022</u>
Unappropriated cash	\$ 3,716,673	\$ 4,691,828
Restricted under the Canada Community-Building Fund	55,604	112,748
Restricted for water and sewer reserves	1,013,787	974,466
Restricted for other reserves	450,588	430,933
Restricted for Nationrise Wind Farm project	<u>110,084</u>	<u>150,000</u>
	<u>\$ 5,346,736</u>	<u>\$ 6,359,975</u>

3. CREDIT FACILITY

The Township has a revolving operating credit facility of up to \$2,800,000 with its main financial institution to finance current expenditures pending receipt of property taxes. The credit facility bears interest at prime and was unused at year-end.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	<u>2023</u>	<u>2022</u>
Water and sewer user fees receivables	\$ 328,623	\$ 303,932
Excise tax rebates receivable	92,379	151,161
Municipal drains charges receivable	93,904	111,815
Accounts receivable - other	<u>1,097,650</u>	<u>1,422,720</u>
	<u>\$1,612,556</u>	<u>\$1,989,628</u>

5. DEFERRED REVENUE - OBLIGATORY RESERVE FUNDS

A requirement of Canadian public sector accounting standards is that obligatory reserve funds be reported as deferred revenue. This requirement is in place as legislation restricts how these funds may be used and under certain circumstances these funds may possibly be refunded. The balance held under the Canada Community-Building Fund program is summarized as follows:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ <u>112,748</u>	\$ <u>117,938</u>
Transactions in year:		
Grants received in year	227,456	217,978
Interest earned and other	15,400	4,018
Transferred to revenue	<u>(300,000)</u>	<u>(227,186)</u>
	<u>(57,144)</u>	<u>(5,190)</u>
Balance at end of year	<u>\$ 55,604</u>	<u>\$ 112,748</u>

6. EMPLOYEE BENEFITS PAYABLE

The Township provides certain employee benefits that will require funding in future periods for sick leave benefits, vacation pay and banked time owing. The Township is eliminating its accumulated sick leave bank within the next two years by allowing active employees to use their banked sick time to pay for disability premiums. The liability for sick leave benefits at December 31, 2023 has been estimated based on the following assumptions: a discount rate of 3.45%, future salary rate increases of 1.50% per annum and projected cash payments as estimated by management. Vacation pay and banked time liabilities have been estimated based on pay rates in effect at December 31, 2023 and are expected to be paid out over the next fiscal year.

Employee benefits payable is comprised of:

	<u>2023</u>	<u>2022</u>
Sick leave benefits	\$ -	\$ 2,082
Vacation pay	63,539	59,849
Banked time	<u>5,861</u>	<u>6,866</u>
	<u>\$ 69,400</u>	<u>\$ 68,797</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

7. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of the following:

<u>Cost</u>	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance December 31, 2023</u>
Land	\$ 311,007	\$ 213,471	\$ -	\$ 524,478
Buildings	11,343,149	4,218,168	-	15,561,317
Vehicles	5,194,422	120,554	(27,727)	5,287,249
Equipment	3,081,115	1,031,813	-	4,112,928
Roads	10,754,957	455,059	-	11,210,016
Bridges	4,427,500	49,233	-	4,476,733
Water and sewer	<u>22,186,055</u>	<u>96,184</u>	<u>-</u>	<u>22,282,239</u>
	<u>\$ 57,298,205</u>	<u>\$ 6,184,482</u>	<u>\$ (27,727)</u>	<u>\$ 63,454,960</u>

<u>Accumulated Amortization</u>	<u>Balance December 31, 2022</u>	<u>Amortization Expense</u>	<u>Disposals</u>	<u>Balance December 31, 2023</u>
Land	\$ 20,071	\$ 58,219	\$ -	\$ 78,290
Buildings	5,161,051	298,675	-	5,459,726
Vehicles	2,580,332	250,733	(19,779)	2,811,286
Equipment	1,613,241	190,000	-	1,803,241
Roads	5,496,540	411,393	-	5,907,933
Bridges	1,935,498	55,179	-	1,990,677
Water and sewer	<u>7,312,230</u>	<u>246,107</u>	<u>-</u>	<u>7,558,337</u>
	<u>\$ 24,118,963</u>	<u>\$ 1,510,306</u>	<u>\$ (19,779)</u>	<u>\$ 25,609,490</u>

<u>Net book value</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Land	\$ 290,936	\$ 446,188
Buildings	6,182,098	10,101,591
Vehicles	2,614,090	2,475,963
Equipment	1,467,874	2,309,687
Roads	5,258,417	5,302,083
Bridges	2,492,002	2,486,056
Water and sewer	<u>14,873,825</u>	<u>14,723,902</u>
	<u>\$ 33,179,242</u>	<u>\$ 37,845,470</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

8. MUNICIPAL DEBT

Municipal debt consists of the following:

	<u>2023</u>	<u>2022</u>
<u>Ontario Infrastructure and Lands Corporation:</u>		
Debenture loan - 3.24% repayable in blended semi-annual payments of \$51,246, due November, 2033	\$ 942,051	\$1,012,309
Debenture loan - 3.30% repayable in blended semi-annual payments of \$15,629, due August, 2038	367,482	386,149
Debenture loan - 3.81% repayable in blended semi-annual payments of \$36,002 due September, 2027	264,812	325,000
Debenture loans - 2.38% repayable in blended semi-annual payments of \$35,991, due July, 2025	139,780	207,228
Debenture loan - 2.39% repayable in blended semi-annual payments of \$23,310, due December, 2026	134,193	176,840
Debenture loan - 2.35% repayable in blended semi-annual payments of \$23,310, due November, 2024	38,749	76,603
Other debenture loans repaid in year	-	53,563
Construction loans - variable rate (3.81% at December 31, 2023), monthly interest only payments, convertible at a future date into debenture loan, due August, 2027	<u>1,661,578</u> 3,548,645	<u>1,919,841</u> 4,157,533
<u>Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA):</u>		
Tile drainage debenture loans - 6% repayable over a ten year period in blended annual payments ranging between \$2,459 and \$6,793, maturity dates ranging from 2024 to 2033	<u>39,732</u>	<u>44,420</u>
	<u>\$3,588,377</u>	<u>\$4,201,953</u>

The Township has offsetting tile drain loans receivable from property owners with the same terms and maturity dates as the OMAFRA tile drain loans above. These loans receivable have been included in long-term receivables on the statement of financial position.

Principal repayments on municipal debt are estimated to be as follows:

2024	\$ 316,379
2025	282,701
2026	219,116
2027	1,834,385
2028	106,226
2029 and subsequent	<u>829,570</u>
	<u>\$3,588,377</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

9. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

	<u>2023</u>	<u>2022</u>
Reserves:		
Working capital	\$ 1,788,037	\$ 2,893,155
Transportation	171,534	247,520
Modernization funding	12,696	7,184
Building permit fees	189,206	231,287
Elections	4,130	-
Fire	145,778	121,260
Water and sewer	1,723,600	1,396,293
Capital	82,989	160,427
Landfill	20,681	20,419
Infrastructure	153,055	150,163
Other	334,162	191,809
Less funded by reserve funds	<u>(1,464,375)</u>	<u>(1,405,399)</u>
	<u>3,161,493</u>	<u>4,014,118</u>
Reserve funds:		
General reserve funds	450,588	430,933
Water and sewer reserve funds	<u>1,013,787</u>	<u>974,466</u>
	<u>1,464,375</u>	<u>1,405,399</u>
Reserves and reserve funds - total	<u>4,625,868</u>	<u>5,419,517</u>
Invested in tangible capital assets:		
Equity in tangible capital assets	37,845,470	35,705,126
Less: related debt	<u>(3,548,645)</u>	<u>(4,157,533)</u>
	<u>34,296,825</u>	<u>31,547,593</u>
Amounts to be recovered from future revenues:		
Accrued interest	(14,276)	(17,174)
Future employee benefits	<u>(69,401)</u>	<u>(68,797)</u>
	<u>(83,677)</u>	<u>(85,971)</u>
	<u>\$ 38,839,016</u>	<u>\$ 36,881,139</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. SEGMENTED INFORMATION

The Township is a diversified municipal government that provides a wide range of services to its citizens. The services are provided by departments and their activities are reported in the statement of operations. Departments have been separately disclosed in the segmented information. For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore certain allocation methodologies are employed in the preparation of segmented financial information. The accounting policies used in these segments are consistent with those in the preparation of the financial statements as disclosed in note 1. The nature of the Township's segments and the activities they encompass are as follows:

General Government

General government includes corporate services and governance of the Township. Administration as a segment includes operating and maintaining municipal owned buildings, human resource management, legal, communications, information systems and technology, support to Council for policy development in compliance with the Municipal Act, tax billing and collection responsibilities, financial management reporting and overall budget status as well as frontline reception and customer service.

Protection to Persons and Property

Protection services includes fire protection, conservation authority, protective inspection and control, and emergency measures. Fire protection includes inspection, extinguishing and suppression services, emergency first response, and prevention education and training programs. Inspection and control includes building inspection, by-law enforcement and dog control services.

Transportation Services

Transportation services includes administration and operation of traffic and parking services for the Township. In addition, services are provided for the winter and summer road maintenance along with the repair and construction of the municipal roads system including bridges and culverts, as well as operation and maintenance of a fleet of vehicles and equipment for use in providing services to the Township.

Environmental Services

Environmental services includes waste collection, disposal and recycling services.

Water and Sewer Services

Water and sewer services includes the operation of water and waste water facilities and infrastructure for the collection and distribution of both water and sewer services within the Township.

Health Services

Health services includes health and safety programs, cemetery maintenance and costs related to medical centres.

Recreation and Cultural Services

Recreation and cultural services includes services that contribute to the Township's development and sustainability through the provision of recreation and leisure programs including community halls, libraries, parks, recreation fields and arenas.

Planning and Development

Planning and development manages development for business interest, environmental concerns, heritage matters, local neighbourhoods and community development. It also facilitates economic development by providing services for the approval of all land development plans and the application and enforcement of the zoning by-law and official plan.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

10. SEGMENTED INFORMATION (continued)

	<u>General Government</u>	<u>Protection</u>	<u>Transportation</u>	<u>Environment</u>	<u>Water and Sewer</u>	<u>Health</u>	<u>Recreation and Cultural</u>	<u>Planning and Development</u>	<u>2023 Totals</u>	<u>2022 Totals</u>
Revenues										
Municipal taxation	\$ 75,143	\$ 710,286	\$2,000,747	\$ -	\$ -	\$ 2,875	\$ 573,157	\$ 114,443	\$ 3,476,651	\$ 3,303,968
User charges	95,506	209,609	4,397	1,161,057	1,264,377	14,995	297,949	74,433	3,122,323	2,865,643
Government transfers	70,815	1,982	815,178	468,924	6,495	-	23,173	55,177	1,441,744	1,460,061
- operating										
Government transfers	-	-	491,972	-	-	-	402,121	-	894,093	1,294,955
- capital										
Other	<u>717,110</u>	<u>-</u>	<u>706</u>	<u>-</u>	<u>10,713</u>	<u>-</u>	<u>668,916</u>	<u>-</u>	<u>1,397,445</u>	<u>1,647,557</u>
	<u>958,574</u>	<u>921,877</u>	<u>3,313,000</u>	<u>1,629,981</u>	<u>1,281,585</u>	<u>17,870</u>	<u>1,965,316</u>	<u>244,053</u>	<u>10,332,256</u>	<u>10,572,184</u>
Expenditures										
Wages and benefits	801,742	505,985	1,011,104	161,348	-	-	278,595	24,742	2,783,516	2,425,833
Interest municipal debt	-	55,898	4,142	13,519	-	-	79,951	3,089	156,599	78,451
Materials and services	265,605	246,460	1,364,035	95,738	56,041	4,362	317,993	152,689	2,502,923	2,709,461
Contracted services	10,500	56,904	84,152	248,559	681,417	-	-	20,667	1,102,199	1,208,200
Insurance and	33,612	35,956	60,776	-	19,150	13,863	74,847	-	238,204	210,399
financial costs										
Third party transfers	-	55,536	-	-	-	-	25,097	-	80,633	83,783
Amortization	<u>11,747</u>	<u>189,122</u>	<u>715,822</u>	<u>279,194</u>	<u>-</u>	<u>-</u>	<u>314,420</u>	<u>-</u>	<u>1,510,305</u>	<u>1,341,148</u>
	<u>1,123,206</u>	<u>1,145,861</u>	<u>3,240,031</u>	<u>798,358</u>	<u>756,608</u>	<u>18,225</u>	<u>1,090,903</u>	<u>201,187</u>	<u>8,374,379</u>	<u>8,057,275</u>
Net surplus (deficit)	\$ (164,632)	\$ (223,984)	\$ 72,969	\$ 831,623	\$ 524,977	\$ (355)	\$ 874,413	\$ 42,866	\$ 1,957,877	\$ 2,514,909

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

11. OPERATION OF SCHOOL BOARDS AND THE UNITED COUNTIES

The following taxation revenues were raised and remitted to school boards and the United Counties of Stormont, Dundas and Glengarry:

	<u>2023</u>	<u>2022</u>
School boards	<u>\$ 1,788,197</u>	<u>\$ 1,782,976</u>
United Counties of Stormont, Dundas and Glengarry	<u>\$ 5,727,275</u>	<u>\$ 5,501,124</u>

12. PENSION AGREEMENTS

The Township makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of its employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees, based on length of service and rates of pay. OMERS provides pension services to approximately 1,000 employers and 600,000 plan members.

Each year an independent actuary determines the funding status of the OMERS pension plan (the Plan) by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of \$136,185 million in respect of defined benefit obligations with actuarial assets of \$131,983 million indicating an actuarial deficit of \$4,202 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of employers and plan members participating in the Plan. The Township has adopted defined contribution plan accounting principles for this plan because insufficient information is available to apply defined benefit plan accounting principles. As a result, the Township does not recognize any share of the OMERS pension deficit.

The amount contributed to OMERS for 2023 was \$165,257 (2022 - \$131,674) for current service and is included as an expenditure on the statement of operations.

13. CONTINGENCIES

In 2014, the Government of Ontario expanded regulations to include six additional cancers presumed to be work related for firefighters under the Workplace Safety and Insurance Act. This change is retroactive to January 1, 1960. The Workplace Safety and Insurance Board (WSIB) has determined a potential liability for all Schedule 2 employers based on the total number of firefighters employed across the province. As the WSIB potential liability has been based on assumptions and general allocations and no specific claims have been filed with the Township, no provision for potential claims has been recorded in these financial statements.

The nature of municipal activities is such that there may be litigation pending or in prospect at any time. With respect to claims at December 31, 2023, management believes that the Township has valid defences and appropriate insurance coverage's in place. In the event any claims are successful, the amount of any potential liability is not determinable, therefore, no amount has been accrued in these financial statements.

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

14. EXPENSES BY OBJECT

Operating expenditures by object is summarized as follows:

	<u>2023</u>	<u>2022</u>
Wages and benefits	\$2,783,516	\$2,425,833
Interest on municipal debt	156,599	78,451
Materials and services	2,502,923	2,709,461
Contracted services	1,102,199	1,208,200
Insurance and financial costs	238,204	210,399
Third party transfers	80,633	83,783
Amortization	<u>1,510,305</u>	<u>1,341,148</u>
	<u>\$8,374,379</u>	<u>\$8,057,275</u>

15. BUDGETED FIGURES

The budgeted figures are presented for comparison purposes as prepared and approved by the Township's Council. The budget figures have been adjusted from the cash basis of accounting as originally prepared and have been restated as follows to conform with Canadian public sector accounting standards:

	<u>2023</u>
Annual surplus as budgeted	\$ -
Add:	
Capital expenditures expensed	4,917,572
Principal repayment of municipal debt expensed	369,428
Transfers to reserves expensed	202,776
Less:	
Loan proceeds included as income	(543,072)
Transfers from reserves included as income	(501,381)
Amortization of tangible capital assets not recorded	<u>(1,510,306)</u>
Annual budgeted surplus as presented on the statement of operations	<u>\$ 2,935,017</u>

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

16. FUTURE ACCOUNTING PRONOUNCEMENTS

Standards effective beginning on or after April 1, 2023:

Revenues

PS 3400 - Revenue establishes standards on how to account for and report on revenue, specifically differentiating between revenue arising from transactions that include performance obligations, referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

This standard is effective for fiscal years beginning on or after April 1, 2023. Early adoption is permitted

THE CORPORATION OF THE TOWNSHIP OF NORTH STORMONT

SCHEDULE 1 - FIVE YEAR FINANCIAL REVIEW (unaudited)

DECEMBER 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Population	7,400	7,400	7,400	5,561	5,534
Number of Households	3,019	3,019	2,998	2,943	2,926
Taxable Assessment (000's)					
Residential and farm	\$ 1,380,692	\$ 1,363,386	\$ 1,342,529	\$ 1,330,293	\$ 1,216,444
Commercial and industrial	51,284	52,127	43,785	43,506	39,282
Exempt	<u>26,445</u>	<u>26,231</u>	<u>26,159</u>	<u>26,149</u>	<u>28,017</u>
Total	<u>\$ 1,458,421</u>	<u>\$ 1,441,744</u>	<u>\$ 1,412,473</u>	<u>\$ 1,399,948</u>	<u>\$ 1,283,743</u>
Property Taxes Billed (000's)					
Own purpose	\$ 3,477	\$ 3,304	\$ 3,182	\$ 2,964	\$ 2,879
Upper-Tier Municipality	5,727	5,501	5,283	5,146	4,808
School Boards	<u>1,788</u>	<u>1,783</u>	<u>1,729</u>	<u>1,763</u>	<u>1,750</u>
Total	<u>\$ 10,992</u>	<u>\$ 10,588</u>	<u>\$ 10,194</u>	<u>\$ 9,873</u>	<u>\$ 9,437</u>
Tax Arrears					
% of own levy	25 %	29 %	32 %	33 %	29 %
% of total levy	8 %	9 %	10 %	10 %	9 %
Municipal Debt (000's)					
Municipal debt	\$ 3,588	\$ 4,202	\$ 2,258	\$ 2,564	\$ 2,907
Annual debt charges	\$ 351	\$ 373	\$ 347	\$ 394	\$ 326
Municipal Equity (000's)					
Surplus and reserves	\$ 4,626	\$ 5,420	\$ 4,003	\$ 5,157	\$ 4,271
Invested in tangible capital assets	\$ 34,297	\$ 31,548	\$ 30,467	\$ 28,530	\$ 28,645
Reserves as % of operating expenses	55.24 %	67.27 %	56.19 %	77.23 %	65.95 %
Financial Indicators:					
Sustainability:					
Financial assets to liabilities	1.12 %	1.13 %	1.41 %	1.64 %	1.29 %
Municipal debt to tangible capital assets	9.48 %	12.66 %	7.03 %	8.29 %	9.25 %
Flexibility:					
Debt charges to total operating revenue	4.16 %	4.75 %	5.02 %	5.58 %	4.54 %
Total operating revenue to taxable assessment	0.58 %	0.54 %	0.49 %	0.50 %	0.56 %
Vulnerability:					
Operating government transfers to operating revenues	17.09 %	18.60 %	15.15 %	20.46 %	23.17 %
Total government transfers to total revenues	27.70 %	35.09 %	23.51 %	26.04 %	25.46 %